

MINUTES OF
Budget and
Control Board
Meeting

July 25, 1978

MINUTES OF BUDGET AND CONTROL BOARD MEETING

JULY 25, 1978 10:00 A. M.

The Budget and Control Board met at 10:00 a.m. on July 25, 1978 in the Governor's Conference Room with the following members in attendance:

Governor James B. Edwards
Mr. Earle E. Morris, Jr.
Senator Rembert C. Dennis
Representative Tom G. Mangum

Also attending were Board Secretary State Auditor William T. Putnam; Governor's Staff Members A. E. Reiser and Ruby Fricks; Messrs. P. C. Smith and Jesse A. Coles of the Planning Division; and Donna K. Clark and William A. McInnis.

The following item of business was considered:

EDUCATION FINANCE ACT ALLOCATION FORMULAS - Department of Education
Deputy Superintendent Ray Burnette, Director of Finance Jack M. Parrish and Administrative Field Services Supervisor Philip T. Kelly appeared before the Budget and Control Board to discuss Education Finance Act funding allocation formulas approved on July 14 by the State Board of Education and to request Budget and Control Board approval of these formulas as required by law.

Mr. Kelly reviewed the following formulas: Allocation Formula #1 (Required Local Revenue in Support of the Foundation Program), including alternative formulas A, B, and C, relating to minimum local support; Allocation Formula #2 (State Allocation for Foundation Program); Allocation Formula #3 (State Allocation Hold Harmless Revenue); Allocation Formula #4 (Incentive Proviso for Strengthening the Instructional Staff); and Allocation Formula #5 (Percentage Reduction of Allocations).

In the ensuing discussion, Mr. Kelly indicated that: (1) because the proportion of instructional staff with the Masters Degree or above has

increased from 25% statewide in 1975-76 to about 35%, the Department of Education miscued more on Allocation Formula #4 (Incentive Proviso for Strengthening the Instructional Staff) than on any other; (2) a steady statewide decline in pupil headcount is anticipated and that not much change in the weighting of students is expected; (3) some of the provisions of the law may be contrary to equity considerations in that the hold harmless provision means that required local financial participation is not directly related to local taxpaying ability; (4) funding distributions between July and October will be based on estimates but adjustments of distributions would be made on the basis of a 45-day report and a 135-day report; and (5) if the weighted student count holds as presently projected, the available funds (including the additional 2%) would probably be adequate.

Mr. Kelly also pointed out that noticeable tax increases will be required of about twelve local school districts and that the average local district will have about 12% more funds than last year.

Senator Dennis and Representative Mangum expressed the view that it was the intent of the General Assembly that the additional funding made available by the so-called 2% cap is to be used only if needed. In this connection, Mr. Putnam pointed out that the 1.02 factor in Allocation Formula #5 (Percentage Reduction of Allocation) should be changed to 1.00. He also pointed out that the funds required for the Incentive Proviso for Strengthening Instructional Staff have been understated by about \$3,000,000 which means that this requirement will use about 1% of the 2% additional funding authorized.

In response to questions from Board members, Mr. Parrish noted that the Department of Education is required to monitor the educational aspects of the Education Finance Act as well as the financial aspects. Mr. Burnette indicated that teacher salary increases will vary from district to district and probably will be in the 4% - 10% range. He also pointed out that this

information will be known when the 45-day report is submitted at which time teachers will be under contract.

Following this discussion, upon a motion by Representative Mangum, seconded by Mr. Morris, the Budget and Control Board approved the Allocation Formulas as previously approved by the State Board of Education on the condition that they be revised so as to provide for allocations through the 135-day report on the basis of 100% of the line-item appropriation for the Finance Act and, if necessary, on the basis of 102% of that line-item appropriation after that point.

Information relating to this matter has been retained in these files and is identified as Exhibit I.

The meeting was adjourned at 11:20 a.m.

STATE OF SOUTH CAROLINA
DEPARTMENT OF EDUCATION

CYRIL B. BUSBEE
STATE SUPERINTENDENT OF EDUCATION



COLUMBIA

July 14, 1978

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EXHIBIT I
7/25/78

Mr. William T. Putnam, Secretary
Budget and Control Board
Wade Hampton Office Building
Columbia, South Carolina 29211

Dear Mr. Putnam:

Under the proposed provisions of the General Appropriations Bill for 1978-79, the formulas for the allocation of funds under the School Finance Act are subject to the approval of the State Board of Education and the Budget and Control Board. At its meeting on this date the State Board of Education approved the attached allocation formulas. The five components are:

1. Required Local Revenue in Support of the Foundation Program
Reference Section 4 (1) (e) and Section 4 (3)
2. State Allocation for Foundation Program Reference Section 4
(1) (f) and Section 4 (3)
3. State Allocation Hold Harmless Revenue Reference Section 5 (1)
4. Incentive Proviso for Strengthening the Instructional Staff
Reference Section 4 (2)
5. Percentage reduction of allocations Reference Appropriations Bill

A mathematical and narrative description is provided along with the legislative reference.

The early consideration and approval of these formulas by the Budget and Control Board is requested in order that we can begin making the monthly payments to the various school districts as provided by law. We will be happy to assist you or your staff in connection with this matter at your convenience.

Sincerely yours,

Ray Burnette
R. W. Burnette, Deputy Superintendent
Division of Finance and Operations

RWB:et
Attachments

South Carolina Education Finance Act of 1977

Allocation Formula #1

Required Local Revenue in Support of the Foundation Program

Reference Section 4 (1) (e) and Section 4 (3)

$$x = \left[\left(.3 (U \times C \times m) - d \right) P + d \right] (1 + I)$$

if $.3 (U \times C \times m) - d \geq 0$

otherwise $x = .3 (U \times C \times m) (1 + I)$

Description

- appe?*
- Step 1 Thirty percent times 1978-79 statewide weighted pupil units (U) times full implementation value of base student cost (C) for 1977-78 as set by General Assembly times 1978-79 district's index of taxpaying ability (m) = District's required local effort at full implementation in 1978 dollars
- Step 2 District's required local effort at full implementation in 1978 dollars (Step 1) minus local revenue (d) for 1977-78 (If the result of this calculation is positive, complete Steps 3 through 5; if the result is negative go to Step 6 and 7) = District's required local effort above 1977-78 revenue in 1978 dollars
- Step 3 District's required local effort above 1977-78 revenue at full implementation in 1978 dollars (Step 2) times 1978-79 Phase-in (twenty) percent (P) = District's required local effort above 1977-78 revenue at current phase-in level in 1978 dollars
- Step 4 District's required local effort above 1977-78 revenues at current phase-in level in 1978 dollars (Step 3) plus local revenue (d) for 1977-78 = District's required local effort for 1978-79 in 1978 dollars

Step 5 District's required local effort for 1978-79 in 1978 dollars (Step 4) times one (1) plus 1978-1979 inflation adjustment (I)

= Local required support for foundation program (x)

Step 6 If the result of Step 2 is negative then Local required support for foundation program is thirty percent times 1978-79 statewide weighted pupil units (U) times full implementation value of base student cost (C) for 1977-78 as set by General Assembly times 1978-79 district's index of taxpaying ability (m)

= District's required local effort at full implementation in 1978 dollars

Step 7 District's required local effort at full implementation in 1978 dollars times one (1) plus 1978-79 inflation adjustment (I)

= Local required support for foundation program (x)

In addition to the calculations of the local required support for foundation program (x), three provisions are included in the Act and Appropriations Bill which will allow a district to provide a lower amount of local support without receiving a reduction in the state allocation.

Alternative Formulas for Minimum Local Support

Included to meet Act provision & app. bill

Alternative Formula A (Section 4(3)(6))

give more time to locals to reach full funding

$$x_a = (1 + I) (1.05 \times d)$$

Description

Step 1 One hundred and five percent times local revenue for 1977-78 (d)

= Local revenue for 1977-78 increased by five percent

Step 2 Local revenue for 1977-78 increased by five percent (Step 1) times one plus inflation adjustment (I)

= Five percent increase in real dollars of local revenue for 1977-78 (x_A)

Alternative Formula B
(Appropriations Bill)

$$x_B = u \times \left(791 - \frac{y + s}{u} \right)$$

Description

Step 1 State allocation for 1978-79 for foundation program (y)
plus state allocation for hold harmless 1978-79 (s) divided
by weighted pupil units for 1978-79

= State allocation
for 1978-79 per
weighted pupil
unit

$$\$747 \times 1.059 = \$791$$

Step 2 Seven hundred ninety-one minus state allocation for 1978-79
per weighted pupil unit (Step 1)

= Local revenue
required per
weighted pupil
unit

Step 3 Local revenue required per weighted pupil unit (Step 2)
times weighted pupil units for 1978-79

= Local required
revenue not
in excess of
\$791 per weighted
unit (x_B)

Alternative C
(Appropriations Bill)

The third alternative is not a formula. The amount required is the proceeds
from an increase of at least 2.5 mills for current operations.

South Carolina Education Finance Act of 1977

Example Allocation Formula #1

Required Local Revenue in Support of the Foundation Program

$$x = \left[\left(\overset{\text{Pupil Units}}{.3 (U \times C \times m)} - \overset{\text{Base Student Cost}}{d} \right) \overset{\text{Phase-in \%}}{P} + \overset{\text{Local Rev for 77-78}}{d} \right] \overset{\text{Inf adjustment}}{(1 + I)}$$

if $.3 (U \times C \times m) - d \geq 0$

otherwise $x = .3 (U \times C \times m) (1 + I)$

Variables for example district

Statewide Weighted Pupil Units (U) = 776,000

Full implementation value of base student cost for 1977-78 (C) = \$747 ($\times 1.059 = 791$)

District's index of taxpaying ability (m) = .003

Local revenue for 1977-78 (d) = \$900,000

Phase-in percent (P) = 20%

Inflation Adjustment (I) = 5.9%

$$\text{Step 1 } \overset{\text{Pupil Units}}{.30} \times \overset{\text{Base Student Cost}}{776,000} \times \overset{\text{Index of Taxpaying Ability}}{747} \times .003 = 521,705$$

$$\text{Step 2 } 521,705 - \overset{\text{Local Rev.}}{900,000} = -378,295$$

(Result is negative, therefore, complete 6 and 7)

$$\text{Step 6 } .30 \times 776,000 \times 747 \times .003 = 521,705$$

$$\text{Step 7 } 521,705 \times 1.059 = \$552,486$$

If the district's local revenue for 1977-78 (d) had been \$400,000 instead of \$900,000, the calculations would be:

$$\text{Step 1 } .30 \times 776,000 \times 747 \times .003 = 521,705$$

$$\text{Step 2 } 521,705 - 400,000 = 121,705$$

(Result is positive complete steps 3 through 5)

$$\text{Step 3 } 121,705 \times .20 = 24,341$$

$$\text{Step 4 } 24,341 + 400,000 = 424,341$$

$$\text{Step 5 } 424,341 \times 1.059 = \$449,377$$

Alternative Formulas for Minimum Local Support

Example Alternative Formula A

$$x_A = (1 + I) (1.05 \times d)$$

Variables for example district

Local revenue for 1977-78 (d) = \$400,000

Inflation Adjustment (I) = 5.9%

Step 1 $1.05 \times 400,000 = 420,000$

Step 2 $420,000 \times 1.059 = \$444,780$

Example Alternative Formula B

$$x_B = u \times \left(791 - \frac{y + s}{u} \right)$$

Variables for example district

District's weighted pupil units (u) = 3,000

District's state allocation for 1978-79 foundation program (y) = 1,450,000

District's state allocation for 1978-79 hold harmless (s) = 425,000

Step 1 $1,450,000 + 425,000 \div 3,000 = 625$

Step 2 $791 - 625 = 166$

Step 3 $166 \times 3,000 = \$498,000$

South Carolina Education Finance Act of 1977

Allocation Formula #2

State Allocation for Foundation Program

Reference Section 4 (1) (f) and Section 4 (3)

$$y = \left[\left((u \times C) - .3 (U \times C \times m) - f \right) P + f \right] (1 + I)$$

Description

- Step 1 District's 1978-79 total weighted pupil units (u) times full implementation value of base student cost for 1977-78 (C) as set by the General Assembly = District's total allocation of state and local funds for foundation program at full implementation in 1978 dollar
- Step 2 Thirty percent times statewide 1978-79 weighted pupil units (U) times full implementation value of base student cost 1977-78 (C) as set by the General Assembly times district's index of taxpaying ability (m) = District's required local effort at full implementation in 1978 dollar
- Step 3 District's total allocation of state and local funds at full implementation in 1978 dollars (Step 1) minus district's required local effort at full implementation in 1978 dollars (Step 2) minus state revenue for 1977-78 (f) = District's allocation of new state revenue at full implementation in 1978 dollar
- Step 4 District's allocation of new state revenue at full implementation in 1978 dollars (Step 3) times 1978-79 Phase-in percent set by General Assembly (P) = District's allocation of new state money at current phase-in level in 1978 dollar

Step 5 District's allocation of new state money at current phase-in level
in 1978 dollars plus state revenue 1977-78 (f)

= District's
allocation
of state
money before
inflation
adjustment

Step 6 District's allocation of state money before inflation
adjustment (Step 5) times one (1) plus 1978-79 inflation
adjustment factor (I)

= State
allocation for
1978-79
foundation
program (y)

South Carolina Education Finance Act of 1977

Example Allocation Formula #2

State Allocation For Foundation Program

$$y = \left[\left((u \times C) - .3 (U \times C \times m) - f \right) P + f \right] (1 + I)$$

Variables for Example district

District's weighted pupil units (u) = 3,000

Full implementation value of base student cost for 1977-78 (C) = \$747

Statewide weighted pupil units (U) = 776,000

District's index of taxpaying ability (m) = .003

State revenue for 1977-78 (f) = \$1,300,000

Phase-in percent (P) = 20%

Inflation Adjustment (I) = 5.9%

Step 1 $3,000 \times 747 = 2,241,000$

Step 2 $.30 \times 776,000 \times 747 \times .003 = 521,705$

Step 3 $2,241,000 - 521,705 - 1,300,000 = 419,295$

Step 4 $419,295 \times .20 = 83,859$

Step 5 $83,859 + 1,300,000 = 1,383,859$

Step 6 $1,383,859 \times 1.059 = 1,465,507$

Allocation Formula #3

State Allocation Hold Harmless Revenue

Reference Section 5 (1)

$$s = \max \left[f \left(\frac{a}{b} \right); f(1 + I) \right] - y$$

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South Carolina Education Finance Act of 1977

Example Allocation Formula #3

State Allocation Hold Harmless Revenue

$$s = \max \left[f \left(\frac{a}{b} \right) ; f (1 + I) \right] - y$$

Variables for Example district

State revenue for 1977-78 (f) = \$1,500,000

135 day ADM for 1978-79 (a) = 2,500

135 day ADM for 1977-78 (b) = 2,490

Inflation Adjustment (I) = 5.9%

State allocation for 1978-79 foundation program (y) \$1,450,000

Step 1 $2,500 \div 2,490 = 1.004$

Step 2 $1,500,000 \times 1.004 = 1,506,000$

Step 3 $1 + .059 = 1.059$

Step 4 $1,500,000 \times 1.059 = 1,588,500$

Step 5 $1,588,500 - 1,450,000 = \$138,500$

South Carolina Education Finance Act of 1977

Allocation Formula #4

Incentive Proviso for Strengthening the Instructional Staff

Reference Section 4 (2)

$$z = \frac{y}{y+x} \times \left(e \times \left(\frac{g}{e} - .25 \right) \times 2,000 \right)$$

Description

- Step 1 The number of master degree or above instructional staff members for 1978-79 (g) divided by the number of total instructional staff members for 1978-79 (c) = Percent of master degree or above instructional staff members for 1978-79 is of total instructional staff members
- Step 2 Percent of masters degree or above instructional staff members (Step 1) minus twenty-five percent (25) = Percent of master degree or above instructional staff members for 1978-79 above twenty-five (25)
- Step 3 Percent of masters degree or above instructional staff members above twenty-five percent (25) total number of instructional staff members (e) = Number of instructional staff members eligible for incentive funding
- Step 4 Number of instructional staff members eligible for incentive funding (Step 3) times 2,000 dollars = Base allocation for incentive funding
- Step 5 State allocation for 1978-79 foundation program (y) plus local required support for 1978-79 foundation program (x) divided into state allocation for 1978-79 foundation program (y) = State percent of funding for the foundation program 1978-79

Step 6	State percent of funding for the foundation program 1978-79 (Step 5) times base allocation for incentive funding (Step 4)	= Incentive proviso funding from State money 1978-79 (z)
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Note:

In the allocation of funds under this proviso a staff accounting report will be submitted to the Department of Education listing the Certified personnel for the school year by position, days of employment to date, salary, source of funding (state, local, or federal) and certification number. This report will be through the first 135 days of school. The total instructional staff utilized in the calculations will be the number of teachers, librarians and guidance counselors on a full-time equivalent basis according to the number of days employed over 135 days times the percent of total salary paid from state and local sources. The number of masters degree or higher certification staff members will be determined from the same count. The funds for this proviso will be distributed in the final two payments of the fiscal year.

South Carolina Education Finance Act of 1977

Example Allocation Formula #4

Incentive Proviso for Strengthening the Instructional Staff

$$z = \frac{y}{y + x} \times \left(e \times \left(\frac{g}{e} - .25 \right) \times 2,000 \right)$$

Variable for example district

Local required support for foundation program (x) = 500,000

State allocation for foundation program (y) = 1,500,000

District's number of Master degree or above instructional staff
members (g) = 30

District's total number of instructional staff members (c) = 100

Step 1 $30 \div 100 = .30$

Step 2 $.30 - .25 = .05$

Step 3 $.05 \times 100 = 5$

Step 4 $5 \times 2,000 = 10,000$

Step 5 $\frac{1,500,000}{1,500,000 + 500,000} = .75$

Step 6 $.75 \times 10,000 = \$7,500$

South Carolina Education Finance Act of 1977

Allocation Formula # 5

Percentage Reduction of Allocations

Reference: Appropriations Bill

$$G = \text{Min.} \left[1 ; \frac{N (1.02)}{\sum (y + s + z)} \right]$$

Description

- | | | |
|--------|--|--|
| Step 1 | The amount appropriated for "School Finance Act" (N) times one hundred and two percent | = One hundred and two percent of amount appropriated for "School Finance Act" |
| Step 2 | State allocation for 1978-79 foundation program (y) plus state allocation for hold harmless 1978-79 (s) plus state allocation for incentive proviso (z) summed over all districts in the state | = Total allocation of state money for "School Finance Act" |
| Step 3 | One hundred and two percent of amount appropriated for "School Finance Act" (Step 1) divided by total allocation of state money for "School Finance Act" (Step 2) | = Percent allocation cap (Step 1) is of total allocation (Step 2) |
| Step 4 | The lesser of (Step 3) or (Step 1) | = The rate to be multiplied times the district's allocation of state funds (y,s and z) and required local support (x). |

South Carolina Education Finance Act of 1977

Example Allocation Formula #5

Percentage Reduction of Allocation

$$G = \min. 1 ; \frac{N (1.02)}{\sum(y+s+z)}$$

Variables for example

Appropriations for "School Finance Act" (N) = 345,000,000

Statewide Allocation for 1978-79 foundation program (y) = 346,000,000

Statewide Allocation for 1978-79 hold harmless (s) = 500,000

Statewide Allocation for 1978-79 Incentive Proviso (z) = 3,000,000,000

Step 1 $345,000,000 \times 1.02 = 351,900,000$

Step 2 $346,000,000 + 500,000 + 3,000,000 = 349,500,00$

Step 3 $351,900,000 \div 349,500,000 = 1.007$

Step 4 $\min. [1 ; 1.007] = 1$

In this example each district would receive calculated amounts. If the appropriations amount had been 340,000,000 the results would have been:

Step 1 $340,000,000 \times 1.02 = 346.8$

Step 2 $346,800,000 \div 349,500,000 = .992$

Step 4 $\min. [1 ; .992] = .992$

In this example each district would receive 99.2 percent of their state calculated amounts and local required support would have been reduced to 99.2 percent of the calculated amount.

THE END

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July 25, 1978

MINUTES OF BUDGET AND CONTROL BOARD MEETING

JULY 25, 1978

POLL

On this date, State Auditor William T. Putnam polled the following
Budget and Control Board members on the item of business described below:

Governor James B. Edwards
Mr. Earle E. Morris, Jr.
Senator Rembert C. Dennis

AERONAUTICS COMMISSION - USE OF BOND FUNDS - The Board members
polled authorized the Aeronautics Commission to use \$60,000 of Capital
Improvement Bond funds authorized in R789 of 1978, Item 21 (a), for the
purpose of entering into a lease/purchase agreement covering Miller Aviation
properties located at the Columbia Metropolitan Airport.

THE END